

VZCZCXYZ0025
PP RUEHWEB

DE RUCNDT #1847 2631816
ZNR UUUUU ZZH
P 201816Z SEP 06
FM USMISSION USUN NEW YORK
TO SECSTATE WASHDC PRIORITY 0253

UNCLAS USUN NEW YORK 001847

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [AORC](#) [KUNR](#) [UNGA](#)

SUBJECT: UN SCALE OF ASSESSMENT: AMBASSADORIAL LEVEL
MEETING WITH THE EUROPEAN UNION PRESIDENCY

¶1. Summary. On September 15, Ambassador Wallace met with Ambassador Tom Gronberg (Austria) who will negotiate the scale of assessment this fall on behalf of the European Union. Wallace and Gronberg engaged in a state of play discussion on US and EU positions (both of which remain under discussion), as well as the Russia/China problem, possibilities for moving forward with a common approach, and timing of Fifth Committee consideration of the scale. End summary.

¶2. Ambassador Gronberg indicated that the New York-based EU delegations would be meeting later in the day to try to reach a preliminary group position on the scale methodology for 2007-2009. Should the group succeed in doing so, a decision would still need to be taken in capitals, with September 25 set as a tentative deadline for agreement. Gronberg indicated that while there were divergent positions in the EU, particularly among the older and larger contributors and the newer and smaller ones (whose rates will likely increase under any formulation), he believed the group was close to consensus. (Comment: Upon Gronberg's comment and out of his view, the Finnish Fifth Committee expert attending with him shook her head and indicated that this was very unlikely. End comment.)

¶3. A common denominator for all EU countries was their support for a 6-year base period. He reminded Ambassador Wallace that the EU collectively is paying 10 per cent more than their collective shares of world gross national income (GNI) and all countries are concerned that they are faced with further increases in the 2007-2009 scale. Wallace expressed empathy for the EU position on the base period, while reminding Gronberg that there has been a trend to decrease the length of the base period and the United States has concerns about reversing the current trend. The goal, he pointed out, should be to increase the rates of "other" Member States. A 3 year base period would assist in this regard because it would more adequately reflect the capacity to pay of large developing countries whose economies have grown considerably in recent years. In short, the United States would have difficulty supporting a 6 year base period. Both agreed that a good option could be to explore a sliding gradient.

¶4. Ambassador Wallace informed Gronberg that the United States is actively working on its proposal and also hopes to have a position agreed by September 25. He reminded Gronberg that the United States remains concerned about past actions by the EU with respect to the ceiling rate; indicated that for many reasons (not least domestic congressional pressure) the US would not be in a position to agree to any increase in rate; and inquired of Gronberg on the EU's latest position on the ceiling. Gronberg conveyed that there was no firm EU position on the ceiling, and that some EU countries view the ceiling as linked to US payment of arrears. Ambassador Wallace underscored that keeping the ceiling at its current level was a U.S. redline.

¶5. Ambassador Wallace raised the issue of purchasing power parity, highlighting its beneficial effects for the EU countries' rates, as well as its utility in bringing major developing country economies more in line with their capacity to pay. Gronberg believed that the EU may take a positive view on moving in the direction of PPP and that a discussion now on PPP was useful to at least lay the groundwork for future scale discussions in coming years. Ambassador Wallace agreed and emphasized that with the rapidly changing world economy it was important to have methodologies like PPP discussed.

¶6. With respect to the Chinese and Russian rates, Gronberg said he had met with both delegations earlier in the summer and understood that the Japanese proposal for a P5 floor "would not fly". However, he did think that both countries would consider voluntarily increasing their rates and that it would be important for others to help them to commit to this.

¶7. Lastly, timing of the Fifth Committee deliberation was discussed. The scale agenda item is expected to be introduced on October 9th so the Committee can take an early decision on Article 19 exemptions and hear from the Chair of the Committee on Contributions. The EU will have a statement prepared for the 9th, but may not be in a position to engage substantively on elements of the methodology at that time. In concluding the meeting, Ambassador Wallace reiterated the USG desire to work closely with the EU as the issue proceeds this fall.

BOLTON